

# On Generosity

## Our Wonderful Journey with Christoph Engel

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### A. Introduction

Christoph Engel is a generous man. Especially generous with his most valuable possessions: knowledge and time. We had the privilege of experiencing this when the three of us worked together on our paper *Insuring your donation*.<sup>1</sup> For this paper, we conducted a lab experiment in which we tested whether individuals were willing to pay a premium to ensure their donation was used for the intended charitable purpose and/or to ensure they would receive a (tax) benefit on the gift.

Philanthropic giving was the topic of our joint research project with Christoph and a topic we – a professor of tax law and a cultural economist – are passionate about. In literature, philanthropy and generosity are often linked with one another. Generosity is used to describe the behavior and/or characteristics of a donor.<sup>2</sup> Wiepking<sup>3</sup> suggests using ‘generosity behavior’ as a more inclusive alternative to ‘philanthropic behavior’ when studying philanthropy across different cultures. Wright uses the term ‘generosity’ as a characterization of the philanthropic ethos in the United States.<sup>4</sup>

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1 Renate Buijze, Christoph Engel, and Sigrid Hemels, “Insuring Your Donation: An Experiment” *Journal of Empirical Legal Studies* Volume 14, Issue 4, 858–885, December 2017.

2 See for example Breeze, Beth, and Wendy Scaife. “Encouraging generosity: The practice and organization of fund-raising across nations.” *The Palgrave handbook of global philanthropy*. London: Palgrave Macmillan UK, 2015. 570–596. They describe how fund-raising influences philanthropic behavior, also referred to as the act of ‘encouraging generosity’.

3 Pamela Wiepking, “The Global Study of Philanthropic Behavior” *Voluntas* Volume 32, 194–203, April 2021.

4 Karen Wright, “Generosity vs. altruism: Philanthropy and charity in the United States and United Kingdom.” *Voluntas: International Journal of Voluntary and Nonprofit Organizations* Volume 12, Issue 4, 399–416, December 2001.

With this Festschrift contribution we celebrate Christoph's generosity, one of his many great traits like patience, perseverance, gracefulness and open-mindedness. These characteristics are invaluable when joining forces with scholars from other disciplines to engage in interdisciplinary research. Not fearing the unexpected is another one. Christoph had no shortage of well-established academics enthusiastic to engage in a joint research project with him, as immediately becomes clear when one looks at the lengthy list of publications which he has co-authored. But still, he decided to work with us, academics with no experience in lab experiments.

Our journey with Christoph spanned four years, five conference- and seminar presentations, a dissertation chapter, one journal article, hundreds of e-mails and many conversations which were always pleasant, efficient and thought provoking. We encountered royals, overcame hurdles, benefitted from lengthy train rides, were supported by kind travel companions and saw on the horizon the impact our research could have. "It's not the destination, it's the journey", the quote famously attributed to American philosopher Ralph Waldo Emerson (1803–1882), most certainly applied to our project. Although Christoph kept reminding us that the destination was important as well. He was, thus, instrumental in getting us there.

Therefore, before bringing you onto our journey with Christoph, the next section jumps ahead and describes the destination: our joint publication.

## B. The destination

The paper *Insuring your donation* investigates the concept of donation insurance, particularly as facilitated by donation intermediaries. A donation intermediary attracts funds, and channels them to the recipient chosen by the donor, which is often located outside the donor's country of residence. In exchange for a limited fee the intermediary, amongst others, ensures the donation reaches its intended goal and that the donor does not miss out on a tax benefit. This service can be interpreted as providing an insurance to donors to ensure that a) the donation reaches its intended goal (reduce efficacy risk) and; b) the donor will receive a tax benefit (reduce tax risk).

The efficacy risk concerns the risk that the donation may not serve its stated purpose, such as money meant for disaster victims ending up with local warlords. This risk is particularly pronounced for cross-border

donations, where it is harder to verify the spending of the donation. By leveraging their own reputation, donation intermediaries act as a 'quality stamp' and help contain the efficacy of the donation.

The tax risk is related to the fact that in many countries donors only receive a tax benefit on their domestic charitable donations. The tax risk concerns the risk that donors may not receive an expected tax incentive, e.g. when giving across borders. The donation intermediary contains the tax risk by having charitable status in the donor's country and/or certifying that foreign beneficiaries meet regulations. The paper addresses 1) the willingness of donors to pay for containing the efficacy risk, or the tax risk, or both and 2) to which degree the availability, and the actual purchase of such insurance increases the probability of donations.

The research questions were answered through a lab experiment with a 2x3x2 factorial design, including a Baseline, Effectiveness (efficacy risk), Tax (tax risk), and Effectiveness + Tax (both risks) treatments. In 'Insurance treatments', participants could buy insurance against these risks. The charity chosen for the experiment was Stichting Unite For Basic Rights (UFBR) which provided basic needs to orphans. Participants received a 5€ endowment and could donate 2.50€ to the charity, with a potential 1.25€ reimbursement. The "frivolous activity" identified for the efficacy risk was a dinner for UFBR board members. The willingness to pay for insurance was elicited using the Becker, DeGroot and Marschak mechanism.<sup>5</sup>

The lab experiment showed that a substantial fraction of participants donated across all treatments. The largest effect was found for the risk that the donation fails to reach its intended purpose. It significantly deterred donations (e.g. 39.3% vs. 73.3% in the Baseline).

The risk that the donation turns out more costly (tax risk) did not significantly reduce donations (60,7% v.s. 73.3% in Baseline, not significant).

The insurance option showed to have a significant effect on donation rates in the Effectiveness treatment and in the Effectiveness + Tax treatment. The insurance option was not critical for willingness to donate if the risk was confined to the tax refund. Interestingly, the willingness to pay for insurance against the risk that a donation does not reach its in-

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5 Becker, Gordon M., Morris H. Degroot and Jacob Marschak (1964). "Measuring Utility by a Single-response Sequential Method." *Behavioral Science* 9(3): 226–232.

tended goal, or that it is not subsidized, was substantial and did not differ between these risks. Post-experimental tests suggest that participants paid for absolute certainty, rather than just attenuating risk.

In sum, while individuals are willing to pay for insurance against both efficacy and tax risks equally, the efficacy risk is the one that significantly deters giving if not contained. The tax risk, although people are willing to insure against it, does not deter giving if left uncontained. This suggests that from a societal perspective, insurance against the risk of donation misuse is more impactful than insurance against tax cost uncertainty.

These results did not come overnight. The project, however, did emerge out of pure circumstance.

### C. Embarking on our journey

Our journey started on 8 November 2013, when Erasmus University Rotterdam (EUR) celebrated its first centennial. This was celebrated big time in the Rotterdam De Doelen Concert Hall, *mit allem Drum und Dran*, including guest of honor princess Beatrix, the former queen of the Netherlands. This royal presence (and difficult traffic) meant that the professors had to wait quite a while in the cortege before they could enter the concert hall. This had the benefit of giving lots of chatting time to professors who otherwise might not have met each other. And this is how the professor of legal empirical studies and the professor of tax law met for the first time and started to talk. Quite soon they left the usual chit-chat and started to discuss their research interests. The traffic really did its best to delay the royal highness. This allowed for a fruitful conversation on one of the tax professor's research topics – tax incentives for philanthropy – and the empirical legal studies professor's research methodology. Both became enthusiastic about possibilities for a joint research project, which could also include the tax law professor's then PhD candidate who conducted qualitative empirical research on cross-border philanthropy and taxation.

Usually, such conversations end with vague promises, warm good-byes and then other obligations preventing anything coming from it. But not with Christoph Engel. That same evening (22:47) he sent an email titled 'Exploiting the momentum' in which he immediately showed his generosity. "It has been a true pleasure talking to you, and learning about the possibility of common ground. We should of course consider everything carefully. An empirical project is a substantial investment. But since

I am now a member of Rotterdam Faculty, I would in principle be open to joining forces”. Christoph by that time knew the professor of tax law had no clue about empirical legal research. Still, he decided to start this venture which from the start included the three of us: the empirical legal scholar, the tax lawyer and the cultural economist.

During the whole process, Christoph amazed us about how a busy man like him could always find time for the project. He often praised the train ride from the Netherlands to Bonn as giving him opportunity to come back to us,<sup>6</sup> usually with the speed of lightning. On 27 February 2014, a few hours after the three of us had our first meeting in which he eluded us on his research on dictator games, he wrote “This has been a highly promising kick-off meeting (terrible word, as if good science could be kicked around . . .).”

After some exchange of emails Christoph wrote to us on 3 March: “Such a jump start for an experimental project is not at all common. I have been so thrilled that I have immediately set out at work. Attached please find my first cut. [. . . ] I have the impression we have already made quite some progress. I very much look forward to the sequel, at our next encounter, and maybe before via e-mail.”

It was a project we were all excited about. For us it was a fantastic opportunity to learn about this strand of empirical legal research with one of the most eminent scholars in the field.

#### D. The world of lab experiments

Christoph introduced us into the world of lab experiments. Renate found out that EUR at the time had two labs for such experiments, the joint lab of the faculty of Psychology and Business Administration and the lab of

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6 Email of 16 April 2014 “The train ride to Rotterdam has just proven the right amount of time (and secludedness) to digest all your good work, Renate. I have the impression that our project is flourishing!” Email of 17 April 2014: “Thank you very much for an equally productive and enjoyable encounter. I have used the train ride back home to do the homework. Attached please find a version of the draft with the changes we have been talking about during the day, a second version with more changes that we have not yet discussed (. . .)” Email of 24 February 2016: “But my train is some 90 minutes delayed. This has given me a last minute chance to draft an alternative introduction for the extended abstract. (. . .)” Email of 11 May 2016: “Im Moment bin ich irgendwo im Niemandsland nicht weit von Ulm. Die Verbindung ist etwas schütter. (. . .).”

the Erasmus School of Economics. By that time Christoph had informed us on the differences between psychology and economic experiments and Renate suggested the econ lab as being most suitable for our experiment.

Christoph not only opened the doors to a new world for us, he also generously shared all he knew about it. Renate has one particular occasion in mind. It was when Christoph had been working on the model that measured the willingness to pay for insurance. In a meeting with Renate he wanted to cross-check whether she agreed on the model. Soon he discovered that the sophistication of the mathematical equations included in this model surpassed the notion of an average cultural economist. Without hesitation he started breaking down the model. Step-by-step he wrote the composition of the model on the whiteboard, how it worked and why it worked. Even though he had to go back every now and then to ensure the cultural economist was still on board, with limitless patience he continued his explanation. By the time he got his message across, the entire whiteboard was covered with his writing. Regardless of the time and effort this took, his final message to Renate was ‘you see, you understand this, you can do this!’

## E. Building bridges

Christoph did not only share his time and knowledge, he also generously shared his network. A mathematician was so kind to check the model.<sup>7</sup> Christoph involved his colleague Lars Freund of the Max Planck Institute in Bonn to write the program for the experiment. Christoph had colleagues reviewing the paper and got the help of the language editor at his institute when our students pointed out a possible language mistake in the program.

On 5 May 2014 he invited Renate to join the Legal Institutions Seminar at the Max Planck Institute in Bonn where they presented our project and asked for (and were given!) feedback on our research question, theory and design. Like Christoph himself, his team was generous in sharing their feedback. In July 2014 he used the key features of our experiment at the

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<sup>7</sup> Email of 11 March 2014: “Happily she approves. To be on the safe side, I will occasionally also approach an economist, but might wait with that until we have advanced a bit further.”

summer school of his graduate school in a course on experimental design. This turned out to be very fruitful, not only for those students, but also for us, as the students made some good suggestions.

Back in Rotterdam, Renate and Sigrid were able to include master students in the project as they filled in a survey on what charity was most appealing to them and what activities of such charities they would not like to fund (top number one: dinner for the board members). In addition, some of our tax law students also helped us by proofreading the instructions for the experiment and they were given the opportunity to participate in the lab experiment. Usually, tax law students do not learn about this kind of research during their studies, so it was extremely nice that we could involve our own students in the project as well.

By March 2014 the three of us were already working on the theoretical part of the paper. At the same time the research manager of the Erasmus School of Law (ESL) suggested us to apply for funding from the Frontier Research Fund of the ESL as a pilot project to work interdisciplinary in a professional lab. By the end of July 2014 we were informed that our proposal was accepted for funding. The ESL Board of Research was in particular happy with the interdisciplinary component, the experimental design, and the new contacts made through the project. This support meant that we were actually able to proceed with the lab experiment.

## F. Two steps forward and one step back

Lars Freund was very quick with his programming work and during the summer of 2014 we, especially Renate, were introduced to z-Tree. A lot of emails were going back and forth and everything went like clockwork. However, in September we encountered an unexpected set back: the charities selected by our master students refused to accept money which had to be spent on a dinner for their board members. This even though they, just as well as we, knew that they were having such dinners. The charities were afraid about their reputation if they would not be able to state that 90% of each euro they were given, was spent on their purpose. After having been turned down by several charities, in October our students provided us with a solution. Some of them had founded a charity that supported orphans living in poverty. They were willing to accept both the donations for their purpose and the donations for the board dinner. In November we also received a positive answer from the fund that would accept the

donations to the intermediary. After this hurdle was taken as well, we could finally proceed to the lab.

After a lot of testing, in March 2015 the experiment was about to finally start. But not before another hurdle was taken. To reimburse the participants in the experiment, cash was needed in small coupons. ESL was not accustomed to, nor equipped for, cash transactions without receipts. After a thorough description of our plan, explaining that cash and anonymous payout was required, the finance controller of the law school approved. He even allowed Renate to store the cash in the safe in his office. Participants would have to sign off on receiving the cash amount. This involved a large administration, as each participant received a different amount. Also finding a bank that could provide cash in small coupons turned out to be practical obstacles the average cultural economist or tax lawyer does not consider.

In the end all went well. Participants (93 in total as there was quite a large no show) behaved properly, the computernetwork proved to be reliable, and our data were saved properly. A minor mistake in the program could be adjusted on the spot, as the programmer was on site. Christoph immediately sent an encouraging email: "In an experiment, so many things can go wrong that one should not worry too much if something happens. And in this particular case, the mistake does not seem to be all too severe. As long as the program behaves as it says on the screen, it is not very likely that participants really got it upside down. At any rate: very good you noticed and changed it." Because of the no shows, more lab sessions were held in May 2015. To get a higher participation, we invited the student pool of the psychology lab and all first-year law students who Sigrid happened to be teaching at that time. This was a success as we managed to have 244 participants in the end.

In April 2016, we had to run another experiment, in order to meet the review of one of the journals we had submitted the paper to. Renate was in the final stages of her PhD research and had to focus on that, but Christoph managed with all his contacts to organize this. Maximilian Kerk, then PhD-candidate in the Law & Economics department of ESL, joined to help execute the post-experimental tests. Thanks to his experience in running experiments in the economics lab, things went extremely smooth in this final stage of the data gathering.

G. Getting published: the bumps in the road for a multi-disciplinary travel company

Collaboration between disciplines can be demanding. The fields of philanthropy, empirical legal studies, tax law and cultural economics all take different perspectives. Each discipline also has its own writing style, research methods and publication culture.

Christoph helped us in a very elegant way to master the art of writing for a, for us, new audience. In his email of 16 April 2014 he wrote “Experimentalists have a taste for what they tend to call a “crisp” paper. In that spirit, I have somewhat shortened your contributions. I of course meant to keep the information.”

In June 2015, we started discussing the journal to which we would submit the paper.

Where submission and publication is a relatively speedy process in tax law, we learned that this takes much more time in the journals we were aiming for with this paper. Christoph suggested (as he phrased it) to first try to reach out to the sky. He warned us that odds were very much against us. However, he stressed that even if we were to be turned down, we would get valuable reviews that would help us improve the paper. Indeed, we were turned down at first, but were given useful reviews which we could use to improve the paper. This led to running an additional experiment.

The process of submitting and being turned down was at times a bit discouraging. But luckily, we had Christoph guiding us in this journey through highly valued journals. He remained positive and cheerful and spurred us to go on and not to give up or go for the lower ranks.

Nevertheless, by September 2016, Renate started exploring possibilities to publish in outlets for philanthropy research, in case the initial strategy would not succeed. She, amongst others, consulted one of the editors of the *Nonprofit and Voluntary Sector Quarterly* to see if the paper was a good fit. By November 2016 also Sigrid became a bit impatient, not being used to such lengthy processes of submissions and being rejected for publication and the need to make revisions again. At the Tax Research Network conference where she had presented a tax paper with the research results, she was invited to submit that paper for inclusion in the conference book. Sigrid suggested to take this opportunity to at least being able to publish the research. But Christoph made it clear that it was not the time to lose hope and faith in a publication in a high-ranking journal: “I know that this is taxing on our patience, and that these long struggles for

a good outlet are uncommon in “black letter law” contexts. But I hope for your understanding: the peer reviewed world is just very different (but also gives very high rewards).”

#### H. Land on the horizon!

How right he was! Our paper had been accepted for presentation at the 2016 Conference on Empirical Legal Studies in Europe (CELSE). In addition, it was also accepted for the US Conference on Empirical Legal Studies (CELS) in the same year. Christoph graciously gave Renate the opportunity to present the paper at the conferences, but she had to focus on finishing her PhD, so Christoph presented the paper himself.

Within three weeks after the email exchange of November 2016, Christoph sent an email that at the CELS conference he met the editor of the *Journal of Empirical Legal Studies*, which, as he stated “is at the absolute top of the peer reviewed legal journals”. We submitted the paper and in March 2017 we received encouraging reviews. We resubmitted after the revisions and in June 2017 we got the message that the paper was accepted for publication. Again, Christoph was very generous in his email in which he shared this great news: “I hope that you, Renate, can capitalize on this truly remarkable success for your future career. Your input has been essential!”

On 7 November 2017, just one day short 4 years after we started our journey and a little bit over a month before Renate defended her PhD thesis, we received the article in print. A fantastic end of an incredible journey or, as Christoph wrote “It has been an excellent experience, with a wonderful outcome.” In a later email he added: “We should tell the next rector that it is critical for the academic success of Erasmus University to make scholars wait for the Queen (on Dies Natalis).”

#### I. Looking through the window

Indeed, for Renate’s career this experience with experimental economics turned out to be of great value – although in a different manner than Christoph might have anticipated. She is now responsible for grant making at the Erasmus Trustfonds, the university foundation of EUR. The experience with setting up an experiment turned out to be truly helpful

when reviewing proposals for research projects by others, be it a Randomized Control Trial in medicine, a field experiment in public administration or a behavioural experiment in the economics department. Furthermore, the outcome of the research shows to be valid in her daily practice. When the Erasmus Trustfonds receives gifts from foreign donors, be it the UK, US or Switzerland, they are all willing to pay intermediaries to ensure they receive a tax benefit on their donation.

Not only did the project turn out useful for Renate's career. Already during our journey the paper posted on SSRN attracted the attention of a German insurer. A Corporate Responsibility Consultant of this company approached Christoph in November 2015. She wrote to him that she and some colleagues were working on a possible social impact insurance project. They were thinking about insurances to make sure that development aid would reach its intended goal. Christoph was invited to talk with them about our project. He wrote to us "It is fairly rare that a lab experiment attracts direct interest from industry or regulators. Ours seems to be the exception that proves the rule." It was nice and encouraging to see that we could already have an impact at that stage.

Christoph had a meeting with five employees of the company in December 2015 and immediately reported back to us. He had the impression that they were seriously interested in our work. He had had a lively discussion resulting in three potential lines of research for which the company was even prepared to give funding. Again, his creative mind had immediately set to work and he sent us a document with ideas for possible future research. He was very enthusiastic "it seems there would be room for research that is as relevant as it is scientifically interesting", but he kindly put himself in our shoes: "I can imagine that you, Sigrid, are hesitant because none of this involves tax. And you, Renate, might be hesitant because you do not want to be too heavily associated with lab or field experiments. But since we had this wonderful first joint endeavour, either of you would be most welcome to join in on a new project, to express preferences for the choice among them, and to shape a project you might want to join. Give it a moment of thought. I will certainly not be disappointed if none of this fits your plans. I would then see which of the Bonn researchers is interested. But you would, of course, have priority." Again, he showed his generosity in giving us a second possibility to work with him (where it would have been much easier of course to immediately turn to the Bonn colleagues), but also in offering the option to graciously decline. We both had to decline, because of other priorities. As always Christoph reacted

very kind on this and it, in our experience, had no effect whatsoever on our working relationship.

## J. Conclusion

This was a truly interdisciplinary project as we all brought our knowledge to the table and were able to achieve synergy as the knowledge of each of us was necessary to come to the end result. Still, we are of the opinion that without Christoph Engel the end result would have been impossible. He was clearly the lead in the whole project, but never claimed that role. He insisted on having an alphabetical order of authors in the paper, he was always flexible in his extremely busy schedule to allow for meetings,<sup>8</sup> guided us through the lengthy procedure of publishing empirical studies and he generously shared his knowledge and network.

Rereading the emails we exchanged over the four years we worked on this project, makes us even more aware of how lucky we were to have had this opportunity of getting an insight of doing empirical legal research with one of the most eminent scholars in this field.

We will forever cherish the memories of our wonderful journey with this exceptional, kind and generous academic. Christoph, thank you so much for having us as one of your traveling companions!

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<sup>8</sup> Email of 21 January 2014 “My RILE colleagues have once more been very kind. They would have enjoyed my participating in the regular seminar with the students from the European Doctorate in Law and Economics, which also takes place on Thursday afternoon. But they understand that scheduling is tricky, and have told me I should seize the opportunity and meet with you. So let us go for it.”